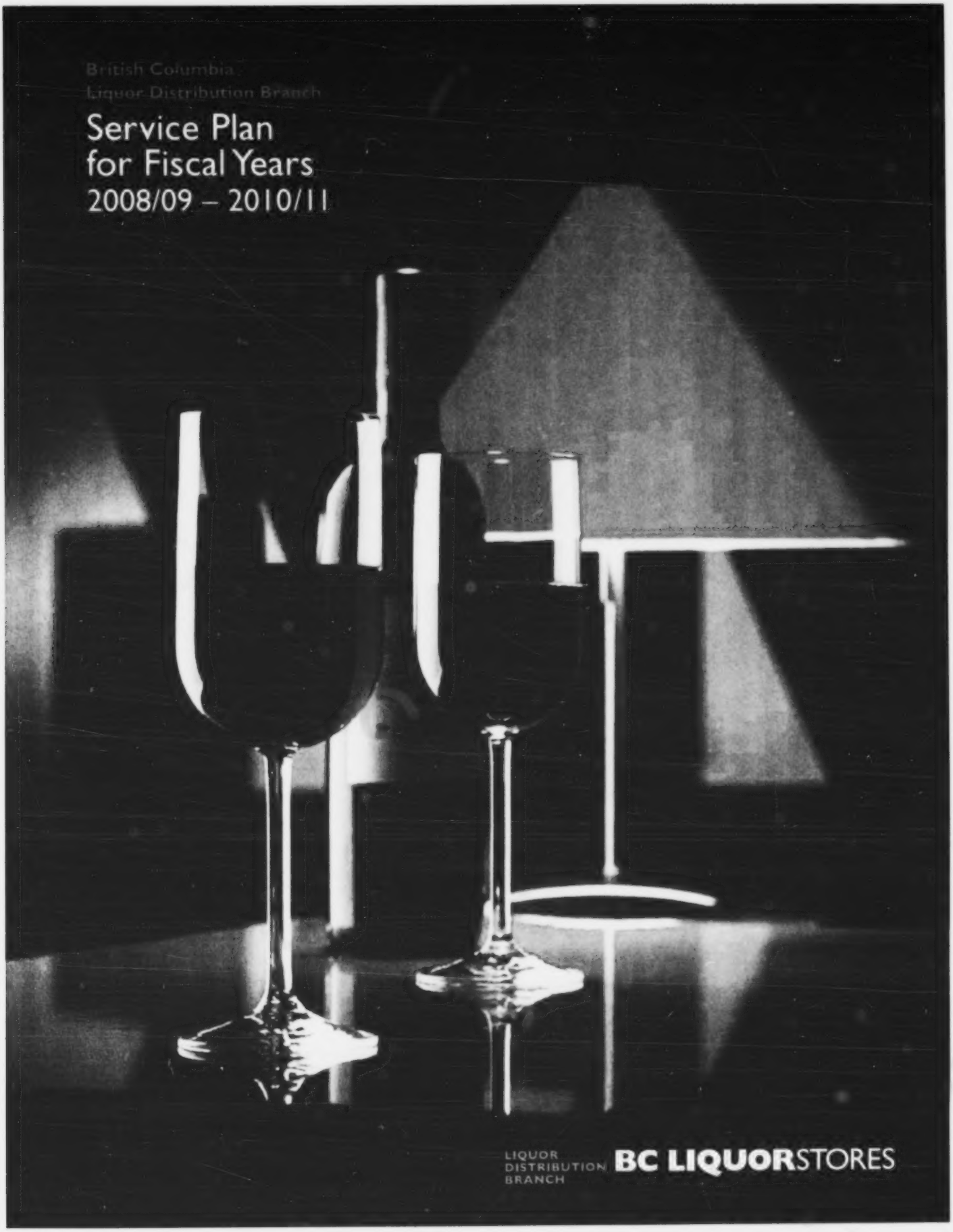
British Columbia
Liquor Distribution Branch

Service Plan for Fiscal Years 2008/09 – 2010/11



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LETTER FROM THE GENERAL MANAGER

February 18, 2008

The Honourable John Les,
Minister of Public Safety and Solicitor General:

On behalf of all of the employees of the Liquor Distribution Branch (LDB), I am pleased to present our service plan for fiscal years 2008/09 to 2010/11.

This plan supports our mission to be a customer-focused, profitable retailer and wholesaler of beverage alcohol dedicated to innovation, exemplary service, helpful product knowledge and social responsibility.

Over the three years covered by this plan, the LDB estimates it will generate $2.56 billion in net income to government. In addition to our financial performance, the LDB's high-level goals also include customer experience, business effectiveness, public safety and social responsibility, and workplace quality and employee excellence.

Ongoing changes in technology and information have impacted the way in which we deliver services to our customers. Advancements in technology have provided us with opportunities to address risks associated with Business Continuity and Disaster Recovery, as well as providing enhanced ordering services for our customers.

The LDB recognizes the importance of our industry stakeholders and wholesale customers. We look forward to working with them in the 2008/09 year to increase customer service and business functionality, while continuing to generate government revenue and ensure socially responsible liquor service.

Like most organizations, we are facing the challenges that come with an aging workforce. The LDB is developing succession plans that will supplement the workforce planning process and enable us to move into the future with confidence.

Working with our industry stakeholders and wholesale customers, we look forward to increasing customer choice and convenience.

The 2008/09 - 2010/11 British Columbia Liquor Distribution Branch Service Plan was prepared under my direction in accordance with the *Budget Transparency and Accountability Act*. The plan is consistent with government's strategic priorities. I am accountable for the contents of the plan, including the selection of performance measures and targets.

All significant assumptions, policy decisions and identified risks, as of January 2008, have been considered in preparing the plan. The performance measures presented are consistent with the LDB's mandate and goals, and focus on aspects critical to the organization's performance. The performance targets in this plan have been determined based on an assessment of the LDB's operating environment, forecast conditions, risk assessment and past performance.

Jay Chambers
General Manager

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ORGANIZATION OVERVIEW

Governance

Reporting to the Minister of Public Safety and Solicitor General, the LDB is responsible for the importation, distribution, wholesaling and retailing of beverage alcohol in British Columbia.

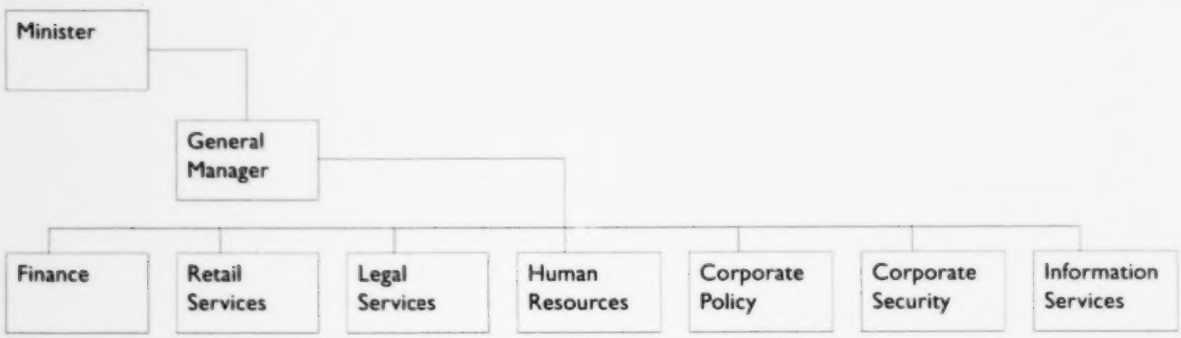
The LDB follows Crown Agencies Secretariat guidelines for service plans and annual reports, and is reported out in public accounts in a manner similar to a commercial Crown corporation, on a modified equity basis.

Under the authority of the *Liquor Distribution Act*, the LDB has the sole right to purchase beverage alcohol, both inside and outside of British Columbia, in accordance with the *Importation of Intoxicating Liquors Act* (Canada).

The *Liquor Distribution Act* specifies that the minister must appoint a general manager and that the general manager is responsible for administering the *Act*, including the general control, management and supervision of liquor stores, subject to the orders, directions and supervision of the minister. The *Act* further clarifies the powers of the general manager and delineates the administration of the LDB and the operation of its retail liquor stores.

The LDB is also responsible for the appointment of rural agency stores.

Another branch within the Ministry of Public Safety and Solicitor General, the Liquor Control and Licensing Branch (LCLB), enforces the *Liquor Control and Licensing Act*. The LCLB is responsible for the licensing, monitoring and enforcement of the *Act* and regulations related to private liquor stores, restaurants, pubs and manufacturers.



Direction from Shareholder's Letter of Expectations:

- Achieve mandate and performance expectations and objectives
- Develop and implement strategies to manage risks identified in the Service Plan
- Comply with Shareholder's requirements to make the public sector carbon neutral by 2010
- Encourage staff involvement in developing ideas and new solutions to meet government's environmental and climate change objectives

Business of the Liquor Distribution Branch

The LDB operates a province-wide beverage alcohol retail and distribution business within a mixed public-private model.

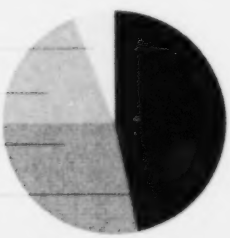
With a workforce of approximately 3,500 full-time and part-time employees, the LDB, as of January 2008 operates:

- 199 government liquor stores throughout the province;
- two distribution centres, in Vancouver and Kamloops; and
- a head office facility in Vancouver.

The LDB purchases beverage alcohol from over 400 suppliers and manufacturers in British Columbia, across Canada and around the world. Licensed manufacturing sites in British Columbia include 163 wineries, 52 breweries and brew pubs, and 14 distilleries.

As of January 2008, private-sector retail establishments in BC included:

- 643 LRSs (private liquor stores licensed to sell all liquor products);
- 230 RASs (general merchandise stores in rural communities authorized to sell all liquor products);
- 165 on-site manufacturer stores (stores at wineries, breweries and distilleries that sell products manufactured on-site);
- 35 off-site manufacturer stores (stores operated by the BC wine industry that sell BC winery products);
- 12 independent wine stores (private wine stores authorized to sell all types of wine); and
- 11 duty-free stores.



Percentage of gross $ sales by retail channel 2006/07

Government Liquor Stores	44.9%
Licensee Retail Stores	30.7%
Licensee (pubs, bars, restaurants)	18.8%
Agency Stores	5.6%

Percentage of gross $ sales by product category 2006/07

Beer	43.0%
Spirits	27.0%
Wine	25.3%
Ciders/Coolers	4.2%
Special Orders/Non-alcoholic	0.5%

STRATEGIC CONTEXT

Vision

That our customers have the opportunity to discover, enjoy and share the evolving world of beverage alcohol.

Mission

To be a customer-focused, profitable retailer and wholesaler of beverage alcohol dedicated to innovation, exemplary service, helpful product knowledge and social responsibility.

Values

Exemplary Service

We take pride in the quality of our work. We strive for excellence in serving customers and coworkers.

Public Safety and Social Responsibility

We encourage and support the responsible use of beverage alcohol.

Integrity

We take responsibility and are fully accountable for our actions, decisions and behaviour. We are open, honest and fair.

Respect

We treat all individuals with fairness, dignity and respect.

Teamwork

We support one another to achieve corporate goals.

Innovation

We encourage our people to find innovative and creative ways to improve our business.

Planning Context

Like most organizations today, the LDB is facing the challenges associated with an aging workforce. The LDB has historically had a low employee turnover rate, which has resulted in the organization retaining a large group of experienced, long-term employees. As this large group of employees moves closer to retirement, succession planning will be the means by which the LDB identifies and secures the skills and competencies required to deliver on its business strategies.

Technology and information are key components of the LDB's ability to deliver efficient and effective service to both its retail and wholesale customers. Improvements in gathering data and reporting provide increased abilities for the LDB in identifying sales trends, adjusting merchandising strategies, identifying and addressing illicit activity and gaining operational efficiencies. Advancements in technology will assist the LDB in managing risks associated with Business Continuity and Disaster Recovery, as well as providing enhanced ordering services to its wholesale customers.

The number of LRSs in the province has experienced significant growth, increasing from 290 in 2002 to 637 in 2007. This increase in wholesale customers has impacted the number of orders that flow through the LDB's distribution network. The LDB is implementing a new order management and inventory system to improve service to the increasing wholesale customer base. The new order management and inventory system will process orders for both LDB wholesale customers and government liquor stores.

Key Strategic Issues

Succession Planning

The LDB has developed a succession strategy to specifically target its ability to fill critical positions throughout the organization. The LDB's workforce plan will supplement the succession planning process and enable employees to develop career paths and learning and development plans.

Distribution Sales Channels

For some time, the LDB has been working toward the implementation of a new computer system designed specifically to improve order management service to customers, and to provide updated technology that will enhance the LDB's capacity to meet the changing business model well into the future.

Currently, the LDB processes more than 10 million cases of beverage alcohol annually through two Distribution Centres in Vancouver and Kamloops. The new order management and inventory system will improve customer service and business functionality for wholesale customers — offering consistent inventory allocation, an automated payment process, shipping schedules and order consolidation.

As part of the plan to continue to improve service to our increasing wholesale customer base, the LDB will also implement a new web/online ordering system, commencing on a trial basis following implementation of the new order management system.

Evolving Retail Customer Expectations

BC Liquor Stores average over 700,000 customer visits each week, making the LDB one of the province's largest retail organizations.

The LDB is committed to delivering quality products and providing exemplary service to all of its customers. Some areas of customer service focus include: featuring British Columbia Vintners Quality Alliance (VQA) Wines at all retail stores; offering on-site wine sales during the Vancouver Playhouse International Wine Festival; offering a broad selection of both international and domestic products in all retail stores; working with consulates and trade organizations to support their marketing efforts through store displays, trade events and in-store tastings; continually updating and developing the LDB website, www.bcliquorstores.com; offering gift card options; and continuing the publication of the LDB's award-winning in-store magazine, Taste.

Excellence in Public Safety and Corporate Responsibility

The LDB incorporates social responsibility as a part of its daily operations. Throughout the year, the LDB sponsors or participates in a number of awareness programs and initiatives that further its public safety goal by promoting the responsible use of alcohol in its retail stores. The programs address major areas considered to present risk, including alcohol and pregnancy, drinking and driving, and over-consumption.

Support Dry Grad

Since 2001, the BC Liquor Stores annual Support Dry Grad campaign has raised in excess of $1.5 million for alcohol-free graduations events. Customers of BC Liquor Stores are encouraged to donate one dollar or more to support dry graduation celebrations in their communities. In 2007, BC Liquor Stores raised in excess of $478,000, a 20 per cent increase over the previous year. On June 4, 2007, the LDB won the Retail Council of Canada's Corporate Social Responsibility Initiative Award for the Support Dry Grad and Share a Bear programs.

Share a Bear

Since 1989, BC Liquor Stores have offered plush bears for sale to customers in November and December. For every bear purchased by a customer, its "twin" is donated by Liquor Stores to a children's charity. Program success is driven by the stores, with individual stores selecting local charities to support. Beneficiaries include Christmas stocking funds, police and ambulance services, hospitals and other community charities. In 2006, over 27,000 bears were sold — a nine per cent increase on the previous year.

The LDB's responsible-use initiatives continue to maintain high levels of recognition and respect from the public, employees, suppliers and other liquor jurisdictions and agencies.

RISK MANAGEMENT

RISK FACTORS AND SENSITIVITIES		MITIGATING STRATEGIES
A number of knowledgeable, experienced employees are reaching retirement age.	>	The LDB is developing succession plans for key positions and continuing to provide necessary on-the-job training.
Unforeseen events such as natural disasters may disrupt business at any time.	>	The LDB is continuously testing and improving upon its Business Continuity Plan.
Shifts in sales from LDB stores to private stores increase the cost of discounts applied to private store purchases.	>	The LDB carefully monitors discount costs and will make necessary adjustments to sales strategies and operating expenses.
Liquor is a high-value product and is susceptible to illicit activity such as cross-border smuggling and theft.	>	The LDB works with appropriate municipal, provincial and federal enforcement agencies to identify and address illicit activity.

The LDB Executive Management Committee meets monthly to discuss service plan performance, risks and mitigating strategies.

The Four Pillars Framework

The LDB has organized its strategic priorities and key objectives around the concept of four pillars. Overarching these four pillars is the financial performance goal, and supporting them are the LDB's dedicated employees.

High-Level Goals

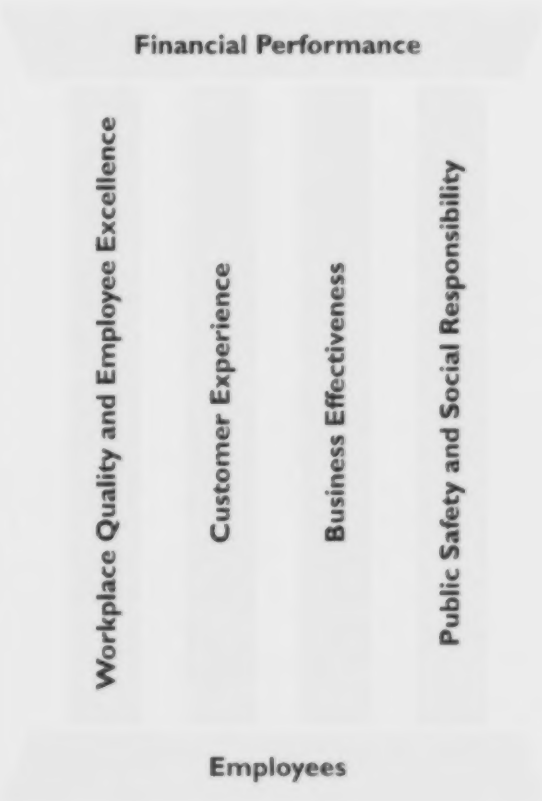
GOAL 1:
FINANCIAL PERFORMANCE
Maximize net income within the policy guidelines established by government.

GOAL 2:
WORKPLACE QUALITY AND EMPLOYEE EXCELLENCE
Create a customer-focused, high performance work environment that encourages greater employee involvement, development, innovation and creativity.

GOAL 3:
CUSTOMER EXPERIENCE
Maintain the high level of wholesale and retail customer experience.

GOAL 4:
BUSINESS EFFECTIVENESS
Maintain operating efficiencies in a climate of constant change.

GOAL 5:
PUBLIC SAFETY AND SOCIAL RESPONSIBILITY
Encourage the responsible use of beverage alcohol.



OBJECTIVES, STRATEGIES & PERFORMANCE MEASURES

Goal 1: Financial Performance

Maximize net income within the policy guidelines established by government.

Objective
Achieve or exceed net income targets

Strategy
Grow sales and effectively manage operating expenses

PERFORMANCE MEASURES In Millions $	ACTUAL Fiscal 2006-07	TARGET Fiscal 2007-08	FORECAST Fiscal 2007-08	TARGETS Fiscal 2008-09	Fiscal 2009-10	Fiscal 2010-11
Total sales	2,434.4	2,453.4	2,605.8	2,671.5	2,728.4	2,775.0
Gross margin	1,090.8	1,074.6	1,103.3	1,122.0	1,139.4	1,156.3
Operating expenses	256.3	270.2	261.1	271.6	279.7	285.3
Net income	840.3	810.1	845.3	853.6	863.1	874.5
Total LDB expenses as a percentage of total LDB sales	10.5%	11.0%	10.0%	10.2%	10.3%	10.3%

Total sales – Total gross provincial dollar sales of beverage alcohol.

Gross margin – Gross dollar sales less discounts and cost of goods sold.

Operating expenses – Total LDB operating expenses.

Net income – Net income is the contribution made to government by the LDB. Net income is reported in accordance with generally accepted accounting principles.

Total LDB expenses as a percentage of total LDB sales – Operating expenses divided by total sales. Total sales, gross margin and operating expenses are key drivers in achieving the LDB's net income targets.

SIGNIFICANT CHANGES FROM THE SERVICE PLAN FOR FISCAL YEARS 2007/08-2009/10

- Direct-distributed Land Based Winery sales were not included in the reported LDB financial forecasts or targets for fiscal 2007-08. Due to an identified requirement that the LDB report on these sales, the sales revenue forecast includes $60 million in 2007/08 increasing to $64 million in 2009/10, with an equivalent amount added to cost of goods sold.
- Brew Pub sales will be reported on a gross rather than net basis (previously part of Other Income).

Goal 2: Workplace Quality and Employee Excellence

Create a customer-focused, high performance work environment that encourages greater employee involvement, development, innovation and creativity.

Objective

Continue to develop a customer-focused workforce that is knowledgeable, skilled, motivated and enthusiastic

Strategies

1. Enhance staff skills and engagement through management development, employee training and increased communication
2. Implement succession management plans for the organization
3. Provide a safe, healthy and harassment-free workplace
4. Promote a retail-oriented culture through an enhanced performance management and recognition process

PERFORMANCE MEASURES	ACTUAL Fiscal 2006-07	TARGET Fiscal 2007-08	FORECAST Fiscal 2007-08	TARGETS Fiscal 2008-09	Fiscal 2009-10	Fiscal 2010-11
Employee engagement	66	80	N/A—will be completed mid-April 2008	75	80	80

Employee engagement – The degree to which LDB employees feel engaged and satisfied with the work environment and involved with the corporate vision and mission. This is evaluated by conducting an annual survey sent to a cross-section of employees. Employee performance is directly related to satisfaction with the work environment and commitment to the organization's vision and mission.

Goal 3: Customer Experience

Maintain the high level of wholesale and retail customer experience.

Objective
Continue to enhance the shopping experience for wholesale and retail customers

Strategies
1. Continuously refresh the store network
2. Continuously provide enhanced customer services

PERFORMANCE MEASURES	ACTUAL Fiscal 2006-07	TARGET Fiscal 2007-08	FORECAST Fiscal 2007-08	TARGETS Fiscal 2008-09	Fiscal 2009-10	Fiscal 2010-11
Average retail customer transaction value	$28.95	$28.99	$28.99	$30.15	$31.05	$31.75
Retail customer satisfaction	98%*	90%	90%	90%	90%	90%
Wholesale customer satisfaction	90%	90%	90%	90%	90%	90%

** The 98 per cent satisfaction rating the LDB received from retail customers in fiscal 2006-07 is unusually high. The LDB's overall goal is to reach and maintain retail customer satisfaction at the 90 per cent measure.*

Average retail customer transaction value – Gross LDB store sales to retail customers divided by the number of retail customer transactions. This measure is an indicator of the LDB's success in improving the customer's retail shopping experience.

Retail customer satisfaction – Retail customer satisfaction with LDB store service as determined through customer surveys conducted annually in selected GLSs. This measure is an indicator of the LDB's efforts to improve service to retail customers and will identify key opportunities for improvement.

Wholesale customer satisfaction – The level of wholesale customer satisfaction with LDB service as determined by annual customer surveys sent to a cross-section of wholesale customers. This measure is an indicator of the LDB's efforts to improve service to wholesale customers and will identify key opportunities for improvement.

SIGNIFICANT CHANGES FROM THE SERVICE PLAN FOR FISCAL YEARS 2007/08-2009/10

- The measure of "Increased Dollar Sales of VQA Wines Through LDB Retail Stores" has been deleted from the Performance Measures for this goal. Suppliers have been challenged to meet marketplace demand, and unprecedented demand for VQA wines from 2004-2006 and limitations on supply caused by a short 2005 crop affected two years of sales. The LDB continues to support BC VQA by focusing on promotional programs in our stores, as well as external partnerships with suppliers and others.

Goal 4: Business Effectiveness

Maintain operating efficiencies in a climate of constant change.

Objective
Improve cost efficiencies

Strategies
1. Maximize the potential efficiencies available through improved distribution operations
2. Increase the use of current and cost-effective technology

PERFORMANCE MEASURES	ACTUAL Fiscal 2006-07	TARGET Fiscal 2007-08	FORECAST Fiscal 2007-08	TARGETS Fiscal 2008-09	Fiscal 2009-10	Fiscal 2010-11
Distribution centre accuracy rate	99%	99%	99%	99%	99%	99%
Distribution centre labour cost per case shipped*	$1.70	$1.64	$1.64	$1.67	$1.69	$1.69
BC Liquor Stores sales per square foot	$1,167	$1,467	$1,196	$1,228	$1,243	$1,261

** Negotiated wage increases for future years are partially offset by productivity gains.*

Distribution centre accuracy rate – The number of correct cases assembled, divided by the total number of available cases ordered. This measure is an indicator of the LDB supply chain effectiveness in ensuring that orders are accurately assembled in distribution centres.

Distribution centre labour cost per case shipped – Total distribution centre labour expenses divided by total distribution centre case shipments. This measure is an indicator of distribution centre labour productivity.

BC Liquor Stores sales per square foot – Total LDB store gross sales divided by total store system square feet. This is one measure of LDB store operating efficiency. This measure excludes wholesale stores 100 and 231. Prior year's figures have been restated.

SIGNIFICANT CHANGES FROM THE SERVICE PLAN FOR FISCAL YEARS 2007/08-2009/10

- The "Number of LRS Receiving Direct Shipment" performance measure has been eliminated, as the LDB has currently surpassed its objective of servicing 70 per cent of LRS volume (340 customers) from its wholesale stores.
- The "LDB Store Sales Per Square Foot" performance measure has been amended to no longer include the wholesale sales generated in store 100 and 231 as these "stores" are dedicated to serving only wholesale customers and do not operate any retail component.

Goal 5: Public Safety and Social Responsibility

Encourage the responsible use of beverage alcohol.

Objective

1. Prevent sales to minors or intoxicated persons through BC Liquor Stores
2. Increased awareness and promotion of the responsible use of beverage alcohol

Strategies

1. Increased staff education and enforcement of ID-checking program requirements
2. Develop co-operative programs with beverage alcohol suppliers and other stakeholders

PERFORMANCE MEASURES	ACTUAL Fiscal 2006-07	TARGET Fiscal 2007-08	FORECAST Fiscal 2007-08	TARGETS Fiscal 2008-09	Fiscal 2009-10	Fiscal 2010-11
Store compliance with ID-checking requirement	Did not complete	100%	100%	100%	100%	100%
Customer awareness of LDB social responsibility programs	96%*	90%	90%	90%	90%	90%
In-store responsible-use beverage alcohol programs	12	12	12	12	12	12

** The 96 per cent awareness the LDB received from customers in fiscal 2006-07 is unusually high. The LDB's overall goal is to reach and maintain awareness of BC Liquor Store Social Responsibility campaigns at the 90 per cent measure.*

Store compliance with ID-checking requirement – Compliance is measured by dividing the number of violations to the ID-checking requirement by the number of times compliance is checked. The Liquor Control and Licensing Branch checks GLS compliance with ID-checking requirements. A sample of GLSs is checked at least once per year.

Customer awareness of LDB social responsibility programs – The degree to which LDB store customers are aware of the LDB's social responsibility programs. This measure is determined by customer surveys.

In-store responsible-use beverage alcohol programs – The number of responsible-use beverage alcohol programs the LDB implements each year including those in co-operation with suppliers. Involving industry in responsible use programs will improve program effectiveness.

PERFORMANCE MEASURE DESCRIPTIONS

Performance Management Systems

The following information summarizes the source and accuracy of the data used for the service plan performance measures.

SALES DATA (GOALS 1, 3, 4):
Sales data for government liquor stores (GLSs) is collected from computerized point-of-sale cash register systems and stored in head office databases. Sales made directly to customers by agents on behalf of the Liquor Distribution Branch (LDB) are transmitted to the LDB and stored in databases. LDB financial statements are audited by the Office of the Auditor General annually.

EXPENSE DATA: (GOALS 1, 4):
LDB expense data is captured, stored and reported by the LDB's financial system. The LDB's financial statements are audited by the Office of the Auditor General annually.

EMPLOYEE AND CUSTOMER SURVEYS (GOALS 2, 3, 4, 5):
The LDB contracts with professional survey companies to ensure that survey results are statistically valid.

DISTRIBUTION CENTRE ACCURACY RATE:
The accuracy of distribution centre orders is determined by random manual checks of orders that are ready for shipment.

ID CHECKING:
The LDB contracts with the Liquor Control and Licensing Branch to check GLS compliance with ID-checking requirements by using mystery shoppers. A sample of GLSs is checked at least once per year.

OTHER DATA (GOALS 3, 4, 5):
Measures, including "In-store Responsible-use Beverage Alcohol Programs," are counted and tracked manually.

Benchmarking

The LDB previously benchmarked itself with three other provinces: Manitoba, Ontario and Alberta. The LDB expects to continue benchmarking annually with these partners on the same measures, which are described below. Although other provincial liquor authorities have many similarities with the LDB, there are important differences that impact the comparability of certain statistics. For example, in Ontario most beer is sold through a private Brewers Retail system, which results in lower sales per square foot for government stores in that province when compared to the LDB, which sells a large amount of beer through its stores.

PER CAPITA NET INCOME OF BEVERAGE ALCOHOL
This measure shows how the British Columbia liquor system compares to other provinces from the perspective of generating government revenue.

GOVERNMENT LIQUOR STORE OPERATING EXPENSES AS A PERCENTAGE OF STORE SALES
This measure is an indicator of LDB store efficiency as compared to other provincial government stores.

SALES PER SQUARE FOOT
This is another indicator of the efficiency of the LDB's store system.

Benchmarking – Fiscal 2005/06

	British Columbia	Manitoba	Ontario	Alberta
Per capita net income of beverage alcohol	$186	$167	$135	$179
GLS operating expenses as a percentage of store sales	11.1%	10.8%	10.3%	N/A
Sales per square foot	$1,347*	$853	$863	N/A

* *Including wholesale stores 100 and 231*

Public Sector Work Environment Benchmark

The LDB participated in the 2006 Work Environment Survey. The survey looked at what workplace experiences matter most to employees and serves as a tool for developing actions that could lead to beneficial changes to employee engagement within the LDB. The survey was based on the BC Public Service Work Environment Survey and the results were compared to the results for the BC Public Service overall.

Performance Measure	LDB	BC Public Service
Employee Engagement	66	58
Organizational Commitment	70	60
Job Satisfaction	67	62
Organizational Satisfaction	61	53

SUMMARY FINANCIAL OUTLOOK

SUMMARY FINANCIAL OUTLOOK In Millions $	ACTUAL Fiscal 2006-07	TARGET Fiscal 2007-08	FORECAST Fiscal 2007-08	TARGETS Fiscal 2008-09	Fiscal 2009-10	Fiscal 2010-11
Total sales	2,434.4	2,453.4	2,605.8	2,671.5	2,728.4	2,775.0
Commissions and Discounts	137.1	159.7	170.6	181.4	189.8	193.0
Cost of sales	1,206.5	1219.0	1,331.9	1,368.1	1,399.3	1,425.7
Operating Expenses	256.3	270.2	261.1	271.6	279.7	285.3
Other Income	5.8	5.6	3.1	3.2	3.5	3.5
Net Income	840.3	810.1	845.3	853.6	863.1	874.5
Capital requirements	22.7	17.5	17.5	20.3	18.6	40.4*
FTEs	2,749	2,658	2,781	2,808	2,816	2,821
Debt	3.0	2.0	2.0	1.3	0.9	0.5
Retained Earnings	0	0	0	0	0	0

** The increase in capital requirements for 2010/11 reflects funding for the replacement of the Point of Sale (POS) system in the GLSs.*

Key Forecast Assumptions

Forecast assumptions, based on market trends by product categories, include sales increases of 2.5 per cent, 2.1 per cent and 1.7 per cent over the next three years.

Discount increases include a 2.0 per cent market share shift to private outlets in 2008/09, an additional 1.3 per cent shift in 2009/10 and flat in 2010/11.

Capital requirements reflect expenditures for updating and improving stores, technology-related projects and ongoing equipment replacements. Risk factors, sensitivities and mitigating strategies are detailed on page 9.

SEGMENTED FINANCIAL OUTLOOK

The LDB has two distinct operations – retail and wholesale. The retail operations covers all counter sales in GLSs and wholesale represent all other sales. An Activity-Based Costing Analysis between the retail and wholesale operations, which allocates expenses between the two operations, was done based on activities in fiscal 2006/07. This analysis will be updated each year based on the previous fiscal year's activity. The segmented information provided below allocates the Summary Financial Outlook from the previous page into the retail and wholesale streams.

SEGMENTED FINANCIAL OUTLOOK **RETAIL**	ACTUAL Fiscal 2006-07	FORECAST Fiscal 2007-08	TARGETS Fiscal 2008-09	Fiscal 2009-10	Fiscal 2010-11
In Millions $					
Total Sales	1,072.6	1,114.7	1,099.5	1,094.2	1,112.8
Commissions and Discounts	-	-	-	-	-
Cost of Sales	507.2	536.1	528.8	526.3	535.2
Operating Expenses	182.6	185.9	193.4	199.1	203.1
Other Income	2.9	1.6	1.6	1.8	1.8
Net Income	385.7	394.3	378.9	370.6	376.3

SEGMENTED FINANCIAL OUTLOOK **WHOLESALE**	ACTUAL Fiscal 2006-07	FORECAST Fiscal 2007-08	TARGETS Fiscal 2008-09	Fiscal 2009-10	Fiscal 2010-11
In Millions $					
Total Sales	1,361.8	1,491.1	1,572.0	1,634.2	1,662.2
Commissions and Discounts	137.1	170.6	181.4	189.8	193.0
Cost of Sales	699.2	795.8	839.3	873.0	890.5
Operating Expenses	73.7	75.2	78.2	80.6	82.2
Other Income	2.8	1.5	1.6	1.7	1.7
Net Income	454.6	451.0	474.7	492.5	498.2

EXECUTIVE ORGANIZATION

General Manager*
Jay Chambers

Executive Administrative Assistant
Cindy Dahlke

Executive Director, Finance*
Roger Bissoondatt

Executive Director, Retail Services*
Kelly Wilson

Legal Counsel*
Catherine Sloan

Executive Director, Human Resources*
Gordon Zelenika

Director, Store Operations
Gary Branham

Director, Distribution
Don Wilcox

Director, Real Estate
Bob Tougas

Director, Corporate Security*
Donna Morse

Director, Purchasing
Michael Procopio

Director, Marketing
Jim Fraser

Director, Wholesale Business
Katharine Jowett

Director, Information Services*
Don Farley

Director, Corporate Policy*
Gordon Hall

Chief Auditor
Rita Bittel

Manager, Communications
Michèle Green

** Members of the Executive Management Committee*

CONTACT INFORMATION

For more information about the Liquor Distribution Branch, or to request more copies of this Service Plan, please contact the LDB Communications department:

via phone **604-252-3029**
via e-mail **communications@bcliquorstores.com**

The British Columbia Liquor Distribution Branch Service Plan for Fiscal Years 2008/09 - 2010/11 is available online at **www.bcliquorstores.com.**

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